

# **TAX RELATED BUSINESS INCENTIVES**

**SALES AND USE TAX EXEMPTIONS, INCOME TAX CREDITS, AND TAX INCREMENT**



**LEIF ELDER, POLICY ANALYST**  
**OFFICE OF LEGISLATIVE RESEARCH AND GENERAL COUNSEL**

# OVERVIEW

**Introduction**

**Sales and use Tax incentives**

**Income taxes incentives**

**Property tax incentives**

# **TAX RELATED BUSINESS INCENTIVES – INTRODUCTION**

- **WHAT'S THE POINT IF STATE AND LOCAL TAX INCENTIVES DON'T INFLUENCE BUSINESS DECISIONS OR LEAD TO ECONOMIC DEVELOPMENT?**
- **ACADEMIC STUDIES: IMPACT IS SMALL BUT STATISTICALLY SIGNIFICANT**
  - **ESTIMATES OF THE IMPACT ARE UNSTABLE**
  - **SOME STUDIES SHOW A HUGE IMPACT; OTHERS SHOW NO IMPACT**
- **WHAT WOULD HAVE HAPPENED WITHOUT THE INCENTIVE?**

# **TAX RELATED BUSINESS INCENTIVES**

## **Sales and use Tax incentives – exemptions**

- **Don't have to pay sales tax on a particular purchase**
- **Business inputs**

## **Income taxes incentives – credits**

- **An amount subtracted from a taxpayer's income tax burden**
- **For: business activity / rural location / jobs**

## **Property tax incentives – tax increment**

# PROPERTY TAX INCENTIVES – TAX INCREMENT

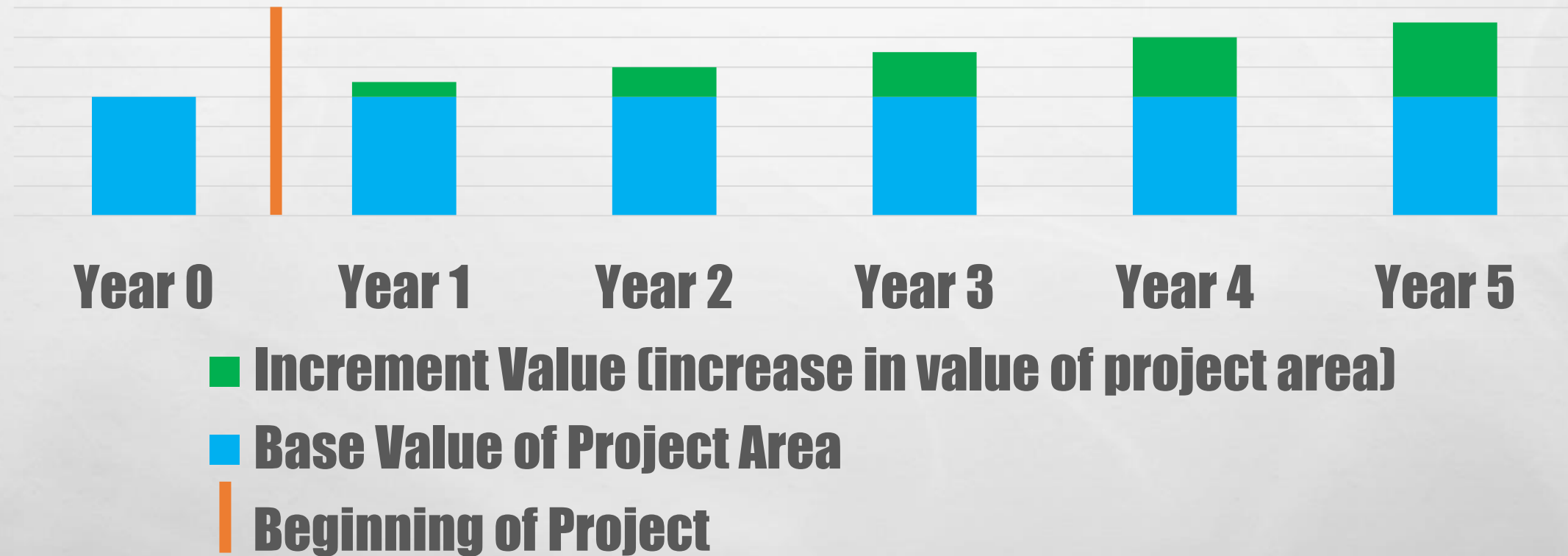
1. City or county creates a redevelopment agency

2. Redevelopment agency creates a project area to develop

3. A **TEC\*** or **agreement\*** determines how much tax increment goes to the project area

**\*TEC** is a Taxing Entity Committee composed of 2 school district, 2 county, 1 state board of education, 1 elected taxing entity, and 2 city members (only for city created agencies). **Agreement** is made between the redevelopment agency and a taxing entity.

# TAX INCREMENT



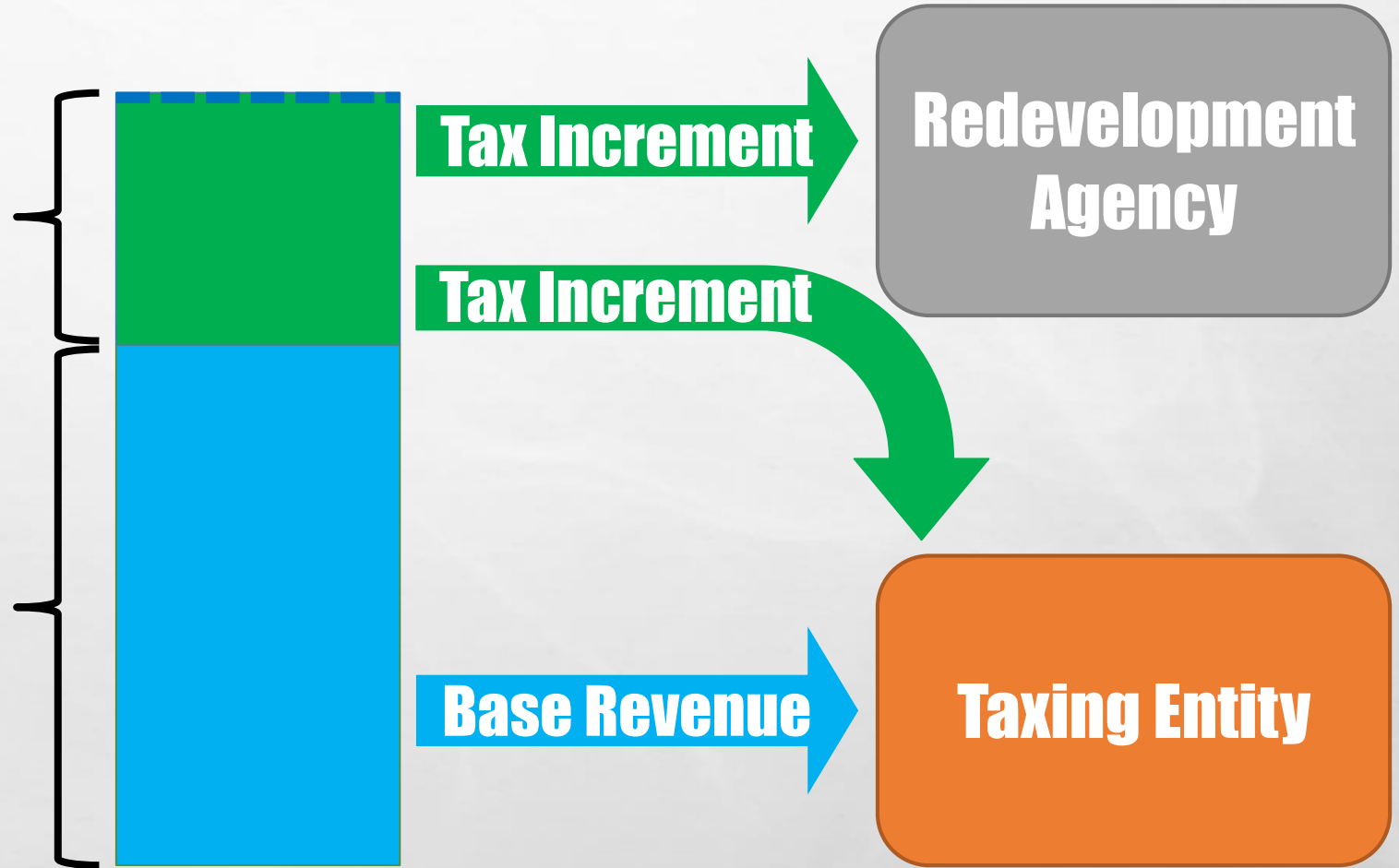
# TAX INCREMENT

## Increment Value

- Generates **tax increment**
- **Agency** and **Taxing Entity** share based on **agreement**

## Base Value

- generates revenue for **Taxing Entity** only

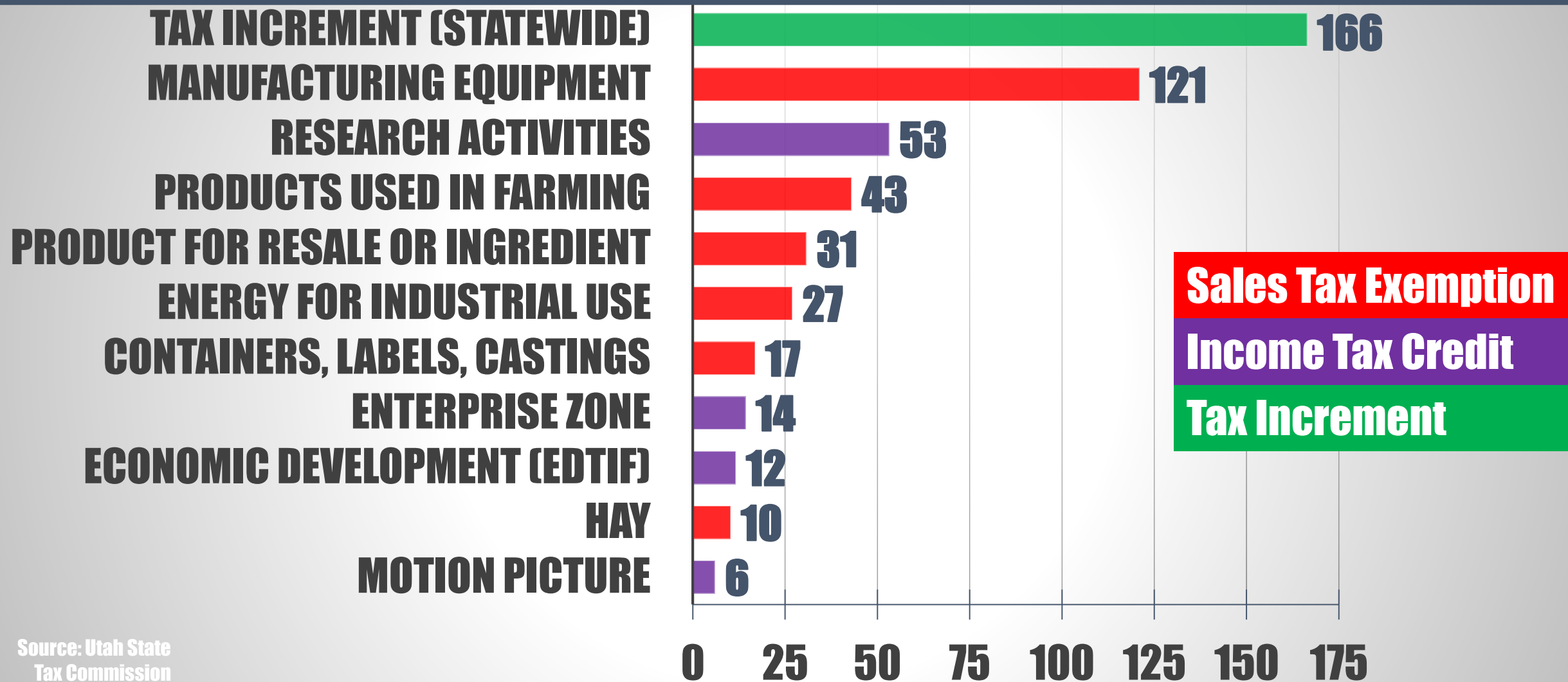




# UTAH TAX RELATED BUSINESS INCENTIVES

## SELECTED EXEMPTIONS, CREDITS, AND TAX INCREMENT

### 2015/2014 STATIC REVENUE IMPACT (MILLIONS \$)





## Tax Increment Paid to Redevelopment Agencies

County	2014					2015				
	Total	Local Districts	Cities	County	Schools	Total	Local Districts	Cities	County	Schools
Beaver	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Box Elder	\$6,411,966	\$265,707	\$647,451	\$1,119,404	\$4,379,405	\$6,298,864	\$255,892	\$617,541	\$1,087,372	\$4,338,059
Cache	\$3,758,214	\$5,078	\$660,423	\$596,455	\$2,496,258	\$4,216,688	\$11,546	\$665,034	\$627,040	\$2,913,069
Carbon	\$64,213	\$3,735	\$6,215	\$16,380	\$37,883	\$46,628	\$0	\$16,334	\$30,294	\$0
Daggett	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Davis	\$10,852,014	\$1,378,322	\$1,334,838	\$1,539,534	\$6,599,320	\$11,566,468	\$1,450,231	\$1,510,778	\$1,745,134	\$6,860,325
Duchesne	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Emery	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Garfield	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grand	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Iron	\$374,600	\$11,046	\$158,476	\$91,546	\$113,531	\$417,295	\$12,828	\$166,786	\$97,341	\$140,340
Juab	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Kane	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Millard	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Morgan	\$68,281	\$1,116	\$10,859	\$13,698	\$42,608	\$100,728	\$1,735	\$16,835	\$14,927	\$67,231
Piute	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rich	\$107,900	\$6,735	\$8,596	\$26,135	\$66,434	\$107,810	\$6,494	\$8,170	\$25,319	\$67,828
Salt Lake	\$83,731,113	\$9,315,807	\$20,232,935	\$14,933,262	\$39,249,110	\$90,165,768	\$10,115,365	\$20,963,352	\$15,223,524	\$43,863,528
San Juan	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sanpete	\$111,525	\$6,105	\$25,982	\$21,057	\$58,381	\$0	\$0	\$0	\$0	\$0
Sevier	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Summit	\$3,620,899	\$458,455	\$829,892	\$420,879	\$1,911,673	\$3,729,556	\$473,131	\$867,374	\$426,076	\$1,962,975
Tooele	\$5,728,961	\$639,291	\$301,964	\$706,007	\$4,081,699	\$5,656,517	\$599,893	\$302,392	\$660,873	\$4,093,358
Uintah	\$4,582	\$541	\$147	\$1,273	\$2,620	\$154,158	\$521	\$11,876	\$49,270	\$92,491
Utah	\$22,899,524	\$1,018,862	\$5,011,277	\$2,072,294	\$14,797,091	\$23,235,914	\$1,030,643	\$5,124,905	\$2,066,596	\$15,013,770
Wasatch	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Washington	\$2,659,856	\$240,096	\$459,727	\$360,718	\$1,599,315	\$2,586,720	\$240,687	\$468,449	\$360,890	\$1,516,694
Wayne	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Weber	\$17,621,203	\$2,102,876	\$3,125,416	\$3,832,804	\$8,560,107	\$18,114,880	\$2,135,853	\$3,098,078	\$3,883,241	\$8,997,708
Total	\$158,014,851	\$15,453,772	\$32,814,198	\$25,751,445	\$83,995,436	\$166,397,994	\$16,334,819	\$33,837,904	\$26,297,895	\$89,927,376

Data used to calculate totals were provided by the Utah State Tax Commission.